



MR. PAUL F. MANLEY
17917 SCHNELEY AVE.
CLEVELAND 19, OHIO

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BRITAIN'S CRISIS RAISES GRAVE QUESTIONS FOR U.S.

BRITAIN'S fuel crisis, precipitated by the nation's coldest weather in many decades, appeared to be somewhat less acute by February 15, when Prime Minister Attlee declared that the situation had begun to improve. He added that he was confident the battle for coal would be won, using language in keeping with the military approach that has been adopted for what quite rightly is called the Second Battle of Britain. Because of critically short coal supplies, the government announced on February 11 that many industries would be closed down and electricity cut off for five hours each day in all but essential services. No time limit has been set for lifting these drastic controls, and it is estimated that as many as four million workers may be idle before all industries and business firms are reopened. Meanwhile, the Minister of Fuel and Power, Emanuel Shinwell, is preparing more restrictive rationing measures for coal than were applicable before the crisis period began.

TEST FOR BRITISH REVIVAL. The summary action of February 11, which dramatically highlighted the severity of Britain's general economic plight, came as a surprise to many Britishers and to most Americans. At first the order to cut off electricity was interpreted in some quarters as an act which might bring the downfall of the government. The Labor cabinet, however, has not retreated, and has ruled out the possibility of forming a coalition regime. It is too early to predict what the eventual political results of the present crisis may be, but possibly new alignments within the Labor party may result. Members of the conservative opposition in Parliament have criticized the government's lack of preparation to forestall the crisis, but believe that it should be met on a national, not a partisan, basis.

The present fuel shortage is a test of Britain's

ability as an industrial nation to reconstruct its economy, but it is no more than the beginning of a test for the Labor party's own program of nationalization for coal and other industries. Coal has been a declining industry in Britain for a quarter of a century. Its nationalization, which became effective on January 1 of this year, is obviously too recent to have averted the present crisis. The \$600,000,000 now allocated for modernizing the mines with new machinery has not been expended. Today the coal problem is acute because of the lack of manpower for the mines, and the fact that many miners are over-aged and inefficient. The reasons for this inefficiency have been ascribed both to lack of technological improvements in the mines and reluctance to perform on the job. Miners have endured a long history of inadequate compensation, and now, as with other sections of the British public, are living at a reduced standard of living.

It remains to be seen whether the new incentives in the form of higher pay gained by miners during the war and the five-day week which is to become effective in May will improve morale and production. It is also a matter of debate in Britain whether the coal industry can ever be restored to its former status, chiefly because Britain's export market in coal probably never can be regained. So far the Labor government has not resorted to the extreme measure of drafting miners as was done in World War II, nor has any suggestion been made by official spokesmen in London that it intends to do so. One outcome of the present coal crisis, however, may be greater readiness on the part of miners to allow foreign workers, especially Poles, to enter the mines. This step has been suggested in Britain many times in recent months, and undoubtedly is being considered again.

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What the present crisis reveals above all is the narrow margin of resources on which Britain has based its plans for reconstruction. Manpower is lacking not only for mining, but for other British industries, especially export lines. Yet it is on the export trades that the nation is dependent for its eventual economic salvation. For the government's industrial policy rests on the thesis that Britain must increase its exports so that it may buy necessary imports, or else reduce the living standard below that of the pre-war period. Perhaps the worst consequence of the present fuel shortage has been the necessity to cut off export production along with other manufactures. At the same time this fact will make clear both to Britishers and other nations the magnitude of the task which the country has set out to accomplish. Export production had been brought up virtually to pre-war levels before this month began, but London's ultimate export goal of 75 per cent in excess of the 1938 level has yet to be reached.

U.S. AND BRITAIN'S DECLINING POWER. Three developments are of interest in America's reaction to the British coal problem. First, newspaper comments here about the fuel shortage have tended to exaggerate the facts and to imply that it is the crucial test for the Labor government's program of nationalization. Second, Americans both in public and private life have responded to the immediate human problem involved and, on February 13, President Truman offered to redirect coal shipments to Britain that were already on their way to Europe. This offer, while appreciated by the Labor government, was declined in view of the extreme fuel shortage on the continent. Third, the fuel shortage, more than any other post-war event, has focused attention on the declining power of Britain. So far only American news commentators, not government

leaders, have pointed out that this country's stake in Britain's economic future demands the most rigorous analysis of what our own best interests abroad may be in view of Britain's plight. General American reaction shows that we have not heretofore fully appreciated the impoverishment wrought in Britain and elsewhere by two world wars.

Only a few of the questions raised by Britain's economic difficulties that may vitally affect America can be posed here. Although the United States extended a \$3,750,000,000 credit to Britain last July, it is not too early to inquire whether still further funds should be made available. London has already drawn heavily on the 1946 loan, and rising prices in this country have in any case reduced the value of the loan about 20 per cent. If Britain is unable to revive its economy, the British and other governments of Western Europe as well may adopt restrictive economic policies which would largely negate Washington's international trade policy. Another major consequence of the possible failure of Britain's economic effort may be curtailment of its military power. This has begun already in India and Egypt and may possibly follow in Palestine, now that the Palestine mandate is to be submitted to the United Nations. Several Labor members of Parliament have warned that the government should substantially reduce the size of Britain's army to aid in solving the domestic manpower dilemma. Because of these developments the United States must review its policy of aid to Britain, and be prepared to face the power vacuum which will occur in many areas of the world where historically Britain has been dominant, and from which it may now be forced to retreat.

GRANT S. MCCLELLAN

MUTUAL ACCOMMODATION SOUGHT BY U.S. AND ARGENTINA

For more than a year the Argentine problem has blocked hemispheric defense agreement and United States access on a large scale to the most prosperous buyers' market in Latin America. Today, however, there are signs that, under pressure from both sides, the log jam is slowly being broken up. As a result of the months-old controversy between Assistant Secretary of State Spruille Braden and Ambassador George S. Messersmith, United States policy toward Argentina—on which our larger objectives in Latin America are at this moment contingent—has followed an erratic course. The two men, who as successive Ambassadors to Buenos Aires have played such dissimilar roles, have disagreed sharply and publicly on the question whether the present Argentine administration can be an acceptable partner in a hemispheric defense program.

Consideration of this controversy was one of the

last tasks of Secretary of State Byrnes and the first item on the agenda of General Marshall. As discussions on the highest policy level proceeded in Washington, the Argentine government on January 24 announced the expropriation of sixty "spearhead" German firms, including Bayer Chemical, the construction firm, Siemens Bauunion, and Siemens-Schuckert, the electrical engineering firm. Evidently timed to reinforce Ambassador Messersmith's argument, the seizure of these assets, which the Central Bank valued at \$100 million, won qualified approval from the State Department. On January 25 the Department noted this "welcome addition to the measures already taken in respect of Nazi education and other institutions," but pointed out obliquely that the Argentine government had not yet moved against Axis agents at large in the country, some in high government positions. This is the

only important item among Washington's minimum requirements of Argentina which has not yet been met to the satisfaction of the United States. Although present indications are that Washington will be satisfied with far less sweeping action than was originally asked of Buenos Aires, the United States has indicated that the handful of remaining subversive agents must be rounded up before a date can be set for the Inter-American conference on security, and specific measures to implement the arms pact can be discussed. It is assumed that Ambassador Messersmith returned to Buenos Aires with explicit instructions to this effect.

NEW U.S.-PERON ACCORD. Here, Congress, the War Department and private business interests have intensified pressure upon the State Department to recede from what is, in their view, an untenable position. Senator Vandenberg spoke for the Senate Foreign Relations Committee when on January 11 in Cleveland he expressed alarm over the "evidence that we are drifting apart and that a communistic upsurge is moving in" and called for the convening of the long-postponed Rio de Janeiro meeting on hemispheric security. For months the War Department has been at loggerheads with the State Department over the latter's reluctance to open the way for standardization of equipment and training throughout the Americas, thereby completing the defense system already set up by Canada and the United States. On February 15 the Inter-American Defense Board in Washington suggested that the American Republics (1) create a permanent military agency composed of representatives of the General Staff of each nation, (2) adopt the principle of "dynamic long-range defense," establishing advance naval and air bases in this hemisphere, and (3) exchange military personnel for the purpose of familiarizing each country's armed services with the equipment and manner of operation of the others. Meanwhile a comprehensive market survey of Buenos Aires and its environs—the first to be undertaken by an American firm in a Latin American city—has disclosed that the Argentine urban population has a considerable margin of income to purchase what is known in the export trade as "comfort" products. Exporters feel strongly that recent State Department policy has prevented the development of this market.

If Perón's recent action on Axis firms is an indication, Argentina is now disposed to meet United States policy part way. President Perón's far-reaching

Five-Year plan requires importation of specialized industrial equipment and technical assistance on a scale which only the United States, among the great industrial powers, is at present able to provide. But to create *La Argentina Grande*, of which the Five-Year plan is an instrument, military strength and international prestige are also required. Whether Perón is willing to sacrifice to Greater Argentina such figures as Ludwig Freude, whom the State Department Blue Book mentioned as the "'stay-behind' leader of the German organization," and who holds large construction contracts from the Argentine government, will be seen shortly.

BETWEEN 1947 AND 1951. The keynote of the Five-Year plan is economic self-sufficiency. It proposes to create an economy capable of supplying most of the essential manufactures, to raise national income and channel national savings into productive purposes, and to make the fiscal and monetary system "more independent of the fluctuations of foreign trade." It concentrates vast powers in the government, which now has a monopoly of foreign trade, and will be the sole purchasing and distributing agent in grain, vegetable oils and other industries that provide articles of prime consumption, and will have entire control over the production and distribution of "metallic, critical and radioactive minerals." About 250,000 foreigners—some of whom are already on their way from Spain, Italy and Poland—will be settled in various parts of the country to speed development. Resources like hydro-electric power, coal deposits, natural gas in the Comodoro Rivadavia oil fields will be developed at an over-all cost of \$447 million. Development of railroads, new roads, air and sea ports will cost \$445 million. Essential to the plan are the acquisition of the 16,000 mile British-owned railroad network (a transaction completed on February 12 at a cost of \$600 million), enlargement of the state-controlled merchant marine and national airlines with a monopoly of domestic traffic.

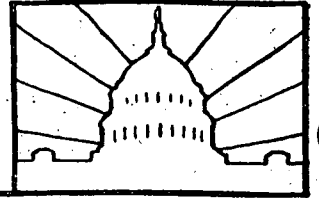
The administration is determined to use the assets it acquired during and since the war through the sale of Argentine wheat and beef to finance this grandiose plan which will cost \$1,600 million. Even if only partially carried out, the proposed recasting of the Argentine government and economy will create an important new factor in Inter-American relations which Washington would be wise to consider in overhauling present policy.

OLIVE HOLMES

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Washington News Letter



SENATE EXPECTED TO RATIFY AXIS TREATIES DESPITE CRITICISM

The original certified copies of the peace treaties with the former Axis satellite states, signed in Paris on February 10, are expected to reach President Truman's desk some time this week. The President will then submit the treaties with Italy, Bulgaria, Rumania and Hungary to the Senate, which will refer them to the Foreign Relations Committee, headed by Senator Vandenberg, where they will be studied in detail before being sent to the floor of the Senate for ratification by two-thirds of the members present.

So far the only voice which has been raised against prompt American ratification is that of Adolf A. Berle, Jr., former Assistant Secretary of State, who, in a statement issued on February 10, regretted the fact that the treaty negotiations had revealed a wide gap between the Soviet Union and the Western powers and suggested that the Senate should postpone action on the agreements until it can determine whether they establish a satisfactory basis for peace. With this exception the prevailing attitude seems to be that, while the treaties are unsatisfactory in some respects, they are the best obtainable under the circumstances and should be accepted by the United States in the hope that they may help restore the former enemy states in Southern and Eastern Europe to a peacetime basis.

HOW VALID ARE ITALY'S OBJECTIONS?

Meanwhile, certain provisions of the treaties have been sharply attacked by the former enemy states, and it is possible that the campaigns for revision may raise doubts in the minds of some Senators as to the durability of the proposed settlements. In Italy, where February 10 was observed as a day of national mourning, government leaders contend that the new Italo-Yugoslav boundary will prove a source of unrest, for it will involve the loss of a population of 500,000—of whom 180,000, according to Rome, are of Italian extraction—and approximately 30 to 40 per cent of the country's coal production. That this territorial cession will produce a strong nationalist reaction is unquestionably true, but it is doubtful if the Allies could have agreed on a boundary between Italy and Yugoslavia which would have been more satisfactory to both sides.

As far as Italy's objections to its reparations bill are concerned, American economic advisers who helped draft the treaty believe Italy's fear that it cannot pay \$360,000,000 worth of reparations over an eight-year period is unfounded. These experts

point out that collections are to be made first from surplus war plants and Italy's Balkan assets, and that as a result Italy will probably not be obliged to pay much of reparations from current production.

SATELLITES TEMPER PROTESTS. Italy is in the vanguard of the new revisionist movement partly because its leaders believe they have been poorly rewarded for their contributions to the Allied cause during the last phases of the war, and partly because they feel freer to express their discontent than spokesmen for the new regimes in Eastern Europe. Although Finland dislikes several features of its treaty (to which the United States, not having declared war on the Finns, is not a signatory), it has registered no official objections lest it arouse Russia's suspicions. Rumania and Hungary, while addressing notes of protest to the Big Four treaty-makers, have carefully limited their protests to those portions of the settlements which do not directly affect Russia. Official Rumanian complaints, for example, do not refer to the cession of Bessarabia (a Russian province before 1918) and Bukovina to the Soviet Union, the loss of southern Dobruja to Bulgaria, or the \$300,000,000 worth of reparations payable to the U.S.S.R. The Rumanian government does, however, object to the provision for two-thirds compensation to Allied property owners in Rumania, most of whom are nationals of the Western powers, on the ground that this rate of compensation will be ruinous to the national economy.

Hungary has also registered no official protests concerning the requirement that it pay \$300,000,000 worth of reparations, two-thirds of which are to go to Russia, but has emphasized the fact that the treaty leaves 3,000,000 Magyars in Czechoslovakia, Rumania and Yugoslavia without providing minority rights for these people. Bulgaria, which has no grounds for complaint against Russia—since it not only recovered southern Dobruja thanks to Moscow's support but is not obliged to pay any reparations to the U.S.S.R.—stresses its desire for Greek territory on the Aegean and objects to the requirement that it pay \$45,000,000 in reparations to Greece.

Whatever the merits of these various pleas for revision may be, Administration leaders in Washington believe that future decisions should rest with the United Nations, and that evidence of dissatisfaction in the Axis satellites with the settlements does not justify postponement of Senate ratification.

WINIFRED N. HADSEL